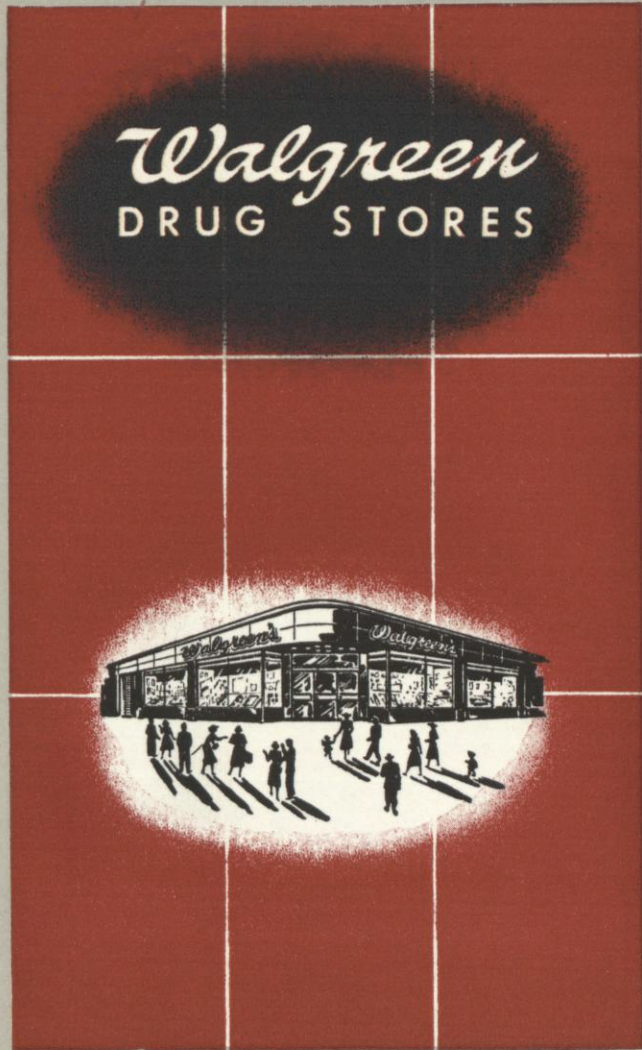


CLEVELAND PUBLIC LIBRARY
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Annual Report

**TO STOCKHOLDERS
SEPTEMBER 30, 1948**



WALGREEN CO. (An Illinois Corporation) AND SUBSIDIARY COMPANIES

MRB
Corp. File

Walgreen Co. Officers and Directors

CHARLES R. WALGREEN, JR.....*Director—President*
SANFORD J. BOWYER.....*Director—Vice President*
H. TRACY FOWLER.....*Vice President*
HARRY GOLDSTINE.....*Director—Vice President*
ROBERT G. KNIGHT.....*Director—Vice President and Treasurer*
BERT O. PINCH.....*Director—Assistant Secretary*
ROLAND G. SCHMITT.....*Director—Vice President and Secretary*
A. L. STARSHAK.....*Director—Vice President*
RAY E. WALKER.....*Director—Agency Division*
JAMES E. WARD.....*Director—Vice President*
O. G. GILE.....*Assistant Secretary*
P. J. REDFORD.....*Assistant Secretary*
C. S. ZALEWSKI.....*Comptroller*

Company General Auditor.....M. W. PRATT
Public Accountants and Auditors.....ARTHUR ANDERSEN & CO.

Transfer Agents.....FIRST NATIONAL BANK, CHICAGO
.....GUARANTY TRUST CO., NEW YORK

Registrars.....HARRIS TRUST & SAVINGS BANK, CHICAGO
.....COMMERCIAL NATIONAL BANK & TRUST CO., NEW YORK



C. R. WALGREEN, JR.,
President.

DURING the fiscal year recently closed, earnings amounted to \$3.03 per share, as against \$3.29 last year. The expenses of launching new and remodeled stores were heavy and absorbed in the general costs of the year. In this year, also, we made comparably large expenditures for leasehold improvements, to which the same explanation as given last year applies, and which were written off in the same manner. Customer acceptance of our new and remodeled stores is excellent, and their sales are greater than our estimates.

We opened thirteen new stores in the following cities, the first three by purchase and the last four relocations replacing smaller units.

Panama City, Florida
Cheyenne, Wyoming
Newton, Iowa
Shaker Heights, Ohio
New York City, New York—50th
and Broadway
Vicksburg, Mississippi
Muskegon, Michigan
New Orleans, Louisiana

to Our

St. Louis, Missouri—Hampton
Village
West Palm Beach, Florida
Danville, Illinois
Milwaukee, Wisconsin
Chicago, Illinois—757 N. Michigan Ave.

In addition, we completely rebuilt and in most cases enlarged, fifteen stores. Many others were improved by partial remodeling. Nine obsolete stores were eliminated. As of September 30th we were operating 413 stores, excluding those temporarily closed for remodeling, compared to 410 a year ago. Substantial expenditures for our store development program are scheduled for our 1949 fiscal year, after which it is expected that they will be tapered off.

Last year our inventories were at a low level, considering our volume of business. This year inventories are considerably higher. One reason for this was the scheduled opening of some large stores shortly after the end of the fiscal year, in addition to the 28 enlargements and new openings noted above. A 1¢ Sale, a major merchandising event

Stockholders

re-introduced for the first time since the war, was held from September 29th through October 2nd, 1948. It was successful, but naturally the heavy stocking of the stores was reflected in year-end inventory totals, while most of the extra sales fell into October. There are now few shortages of merchandise, but the period in which it is in transit—both from vendors to our warehouses and factories, and from these to our stores—is longer than ever. This, including the earlier ordering of a great deal of Christmas merchandise was also instrumental in raising the level of inventories. Although these larger inventories, together with heavy expenditures for leasehold improvements and substantial additions to equipment, used up a considerable proportion of the excess cash accumulated in prior years, we have adequate funds to complete our modernization program.

Total sales for the fiscal year were 5.4% ahead of last year, marking another all-time record level. Recent new store openings and the 1¢ sale volume for the first two days of the month helped to give

Chicago, November 23, 1948.

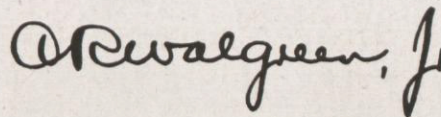
this October a sales increase of 7.4% compared to a year ago.

A year-end extra dividend was again paid. We feel it is necessary that earnings in excess of dividends be invested in our business to keep our Company progressive and competitive. The results of such a program should help insure future dividends.

Retail business in general is confronted by the impact of higher operating costs with narrowing margins of gross profit. We believe that maintenance of sales volume is essential to our continued success, which we will endeavor to accomplish by aggressive merchandising at the same time exercising careful expense control.

The following pages of this report contain our financial statements, a certificate of certified public accountants, and some pictorial material which we believe you, as a partner of our business, will find interesting.

Sincerely,



President.

WALGREEN CO. and SUBSIDIARY COMPANIES

COMPARATIVE BALANCE SHEETS—

ASSETS		<u>1948</u>	<u>1947</u>
CURRENT ASSETS:			
Cash		\$ 8,472,692	\$12,563,298
United States and municipal government securities.....		1,207,532	1,819,395
Accounts receivable, less reserves.....		1,740,212	1,449,934
Inventories of merchandise, priced at the lower of cost or market, less reserves		21,564,752	17,919,815
TOTAL CURRENT ASSETS.....		<u>32,985,188</u>	<u>33,752,442</u>
PREPAID RENT, INSURANCE, TAXES, ETC.....		<u>904,929</u>	<u>743,582</u>
INVESTMENTS AND OTHER ASSETS:			
Investments in and advances to affiliated companies, at cost.....		792,482	1,225,235
Stocks and bonds of other companies, at cost.....		1,098,707	892,536
Notes receivable		267,442	381,500
TOTAL INVESTMENTS AND OTHER ASSETS.....		<u>2,158,631</u>	<u>2,499,271</u>
FIXED ASSETS, at cost:			
Land		669,213	389,388
Buildings (on owned and leased land).....		2,035,594	1,137,231
Equipment		12,967,273	11,447,157
		<u>15,672,080</u>	<u>12,973,776</u>
Less—Reserves for depreciation.....		7,420,909	7,140,347
TOTAL FIXED ASSETS.....		<u>8,251,171</u>	<u>5,833,429</u>
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount		<u>1</u>	<u>1</u>
		<u>\$44,299,920</u>	<u>\$42,828,725</u>

SEPTEMBER 30, 1948 AND 1947

LIABILITIES

	<u>1948</u>	<u>1947</u>
CURRENT LIABILITIES:		
Trade accounts payable.....	\$ 5,912,962	\$ 5,763,709
Accrued expenses and taxes, and other liabilities.....	4,466,137	3,578,149
Federal income taxes.....	3,097,207	3,270,830
Cost of preferred stock redeemed on November 10, 1947.....	—	310,867
	<u>13,476,306</u>	<u>12,923,555</u>
TOTAL CURRENT LIABILITIES.....		
RESERVE FOR FUTURE COST OF IMPROVEMENTS TO LEASED PROPERTIES, ETC.	<u>900,000</u>	<u>1,500,000</u>

CAPITAL STOCK AND SURPLUS:

Preferred stock, 4% cumulative, par value \$100 per share, redeemable at \$2 to \$1 per share premium.

In accordance with preferred stock retirement provisions, open market orders are outstanding on November 12 for the purchase of 5,660 shares at par, and if not available a minimum of 660 shares must be called for redemption—

Authorized and outstanding 62,000 shares at September 30, 1948.....	6,200,000	6,200,000
Cost of 70 shares held pending retirement.....	7,000	—

Common stock without par value—

Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares	11,484,112	11,484,112
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Earned surplus, per accompanying statement.....	12,246,502	10,721,058
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TOTAL CAPITAL STOCK AND SURPLUS.....	<u>29,923,614</u>	<u>28,405,170</u>
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	<u>\$44,299,920</u>	<u>\$42,828,725</u>
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WALGREEN CO. and SUBSIDIARY COMPANIES

COMPARATIVE STATEMENT OF PROFIT AND LOSS For the Years Ended September 30, 1948 and 1947

	<u>1948</u>	<u>1947</u>
SALES AND OTHER INCOME:		
Net sales and other store income.....	\$163,260,827	\$154,929,239
Other income (net).....	380,777	363,310
	<u>163,641,604</u>	<u>155,292,549</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation	154,751,833	145,884,971
Depreciation of buildings and equipment.....	836,906	791,219
Provision for contribution to employees' retirement pension trust.....	683,000	665,500
Improvements to leased properties.....	1,105,534	1,038,361
Portion of improvements to leased properties charged to reserve.....	600,000	500,000
Provision for Federal and State income taxes.....	2,700,000	2,900,000
	<u>159,477,273</u>	<u>150,780,051</u>
NET PROFIT	<u>\$ 4,164,331</u>	<u>\$ 4,512,498</u>

COMPARATIVE STATEMENT OF EARNED SURPLUS For the Years Ended September 30, 1948 and 1947

BALANCE BEGINNING OF YEAR.....	\$ 10,721,058	\$ 8,870,524
NET PROFIT	4,164,331	4,512,498
	<u>14,885,389</u>	<u>13,383,022</u>
DEDUCT:		
Dividends paid—		
To preferred stockholders—\$4.00 per share	247,790	260,000
To common stockholders—\$1.85 per share.....	2,391,097	2,391,097
Premium and accrued dividends on preferred stock redeemed on November 10, 1947.....	—	10,867
	<u>2,638,887</u>	<u>2,661,964</u>
BALANCE END OF YEAR.....	<u>\$ 12,246,502</u>	<u>\$ 10,721,058</u>

ARTHUR ANDERSEN & CO.

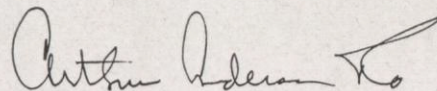
120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

WALGREEN CO.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1948 and the statements of consolidated profit and loss and earned surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended September 30, 1947.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and earned surplus present fairly the position of Walgreen Co. and subsidiary companies at September 30, 1948 and the results of their operations for the fiscal year ended that date, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chicago, Illinois,

November 12, 1948.



Distribution of Sales...

As a stockholder you will be interested in the above map showing the distribution of our sales throughout the country.

- (1) Southern States, \$47,011,385 or 28.8%
- (2) Midwest States (excluding Chicago), \$45,779,168 or 28.0%
- (3) Chicago, \$35,385,475 or 21.7%
- (4) Eastern States, \$17,993,638 or 11.0%
- (5) Western States, \$17,091,161 or 10.5%

Walgreen Stores and Walgreen Agencies are conveniently located for most customers. They offer a wide selection of fine, fresh, first-quality merchandise—*priced right*. We believe they merit your regular patronage as well as that of your family and friends on the very practical ground of your own interests—as a discerning consumer as well as a stockholder.

THE DRUG STORE
OF TOMORROW
IS HERE... **TODAY**



. . . and we're proud that our customers have welcomed it so warmly and have expressed their enthusiasm and confidence in such tangible form as substantially increased patronage.

It's a *better* drug store . . . because it's designed to give the finest and the best in drug store shopping convenience and prescription service.

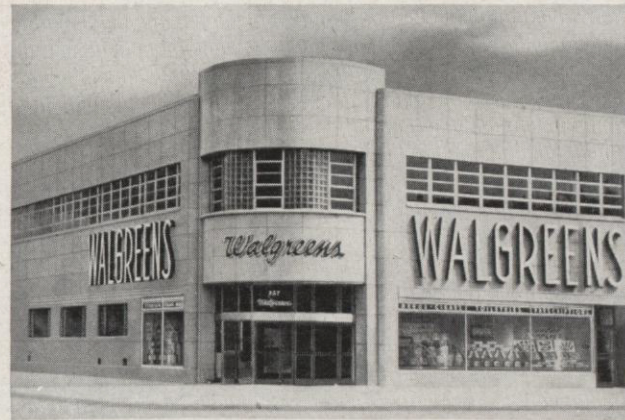
We've made it the *modern* drug store . . . spacious, sparkling, complete—with well-stocked departments arranged to make shopping quick and easy.

But we haven't forgotten that *Walgreen's* is still basically a "Value" store . . . we've still kept in mind the fact that *top quality—low price* is the formula upon which our business was built.



New Store Highlights

Unique in certain respects . . .
Uniform in basic principle . . .
we present these highlights
for review.



757 MICHIGAN, Chicago—Recently opened on North Michigan Avenue's "Magnificent Mile" it embodies all of our latest store design features; newest fixtures, colors, signs and other advanced construction innovations.



FRENCH QUARTER, New Orleans—Designed to fit into its romantic background, it combines old-time atmosphere and modern efficiency.





HAMPTON VILLAGE, St. Louis—An utterly different Walgreen Store in the world's largest drive-in shopping center. Massive-sized departments, plus a most modern Prescription Laboratory, made it the talk of St. Louis.



ALBANY, New York—A brand new store in a famous old city, this newest unit is the Capital City's largest and busiest drug store.

Other New-Design Stores Since Our Last Report

- 20200 S. Moreland, Shaker Heights, O.*
- 1 S. Broadway, Aurora, Ill.*
- 524 Chaparral, Corpus Christi, Texas*
- 1 E. Jackson, Chicago, Ill.*
- 2 W. Washington, Phoenix, Ariz.*
- 500 S. Salina, Syracuse, N. Y.*
- 335 Western, Muskegon, Mich.*
- 1631 Broadway, New York, N. Y.*
- 1415 Washington, Vicksburg, Miss.*
- 225 Clematis, W. Palm Beach, Fla.*
- 784 Elm, Winnetka, Ill.*
- 56 N. Vermilion, Danville, Ill.*
- 7059 Jeffery, Chicago, Ill.*
- 101 S. Palafox, Pensacola, Fla.*
- 6257 Woodlawn, Chicago, Ill.*
- 5967 W. Chicago, Chicago, Ill.*
- 1579 University, St. Paul, Minn.*
- 9459 S. Ashland, Chicago, Ill.*
- 403 E. Grand, Beloit, Wis.*
- 1501 Broadway, New York, N. Y.*
- 2638 W. Vliet, Milwaukee, Wis.*
- 1603 Howard, Chicago, Ill.*
- 38 W. Michigan, Battle Creek, Mich.*
- 2400 Devon, Chicago, Ill.*
- 6300 S. Western, Chicago, Ill.*

It all adds up to this:—

**More and more customers know that they
can look to Walgreen's for the things
that count in Drug Store Leadership.**

...and Speaking of Progress

Increased sales in our Prescription Departments prove two things —we have earned the respect of the medical profession and we have earned the confidence of more and more customers. In the past 12 months we have filled almost four million written doctors' prescriptions. The steady growth in this phase of our business proves that our confidence in the Prescription Department is well warranted.



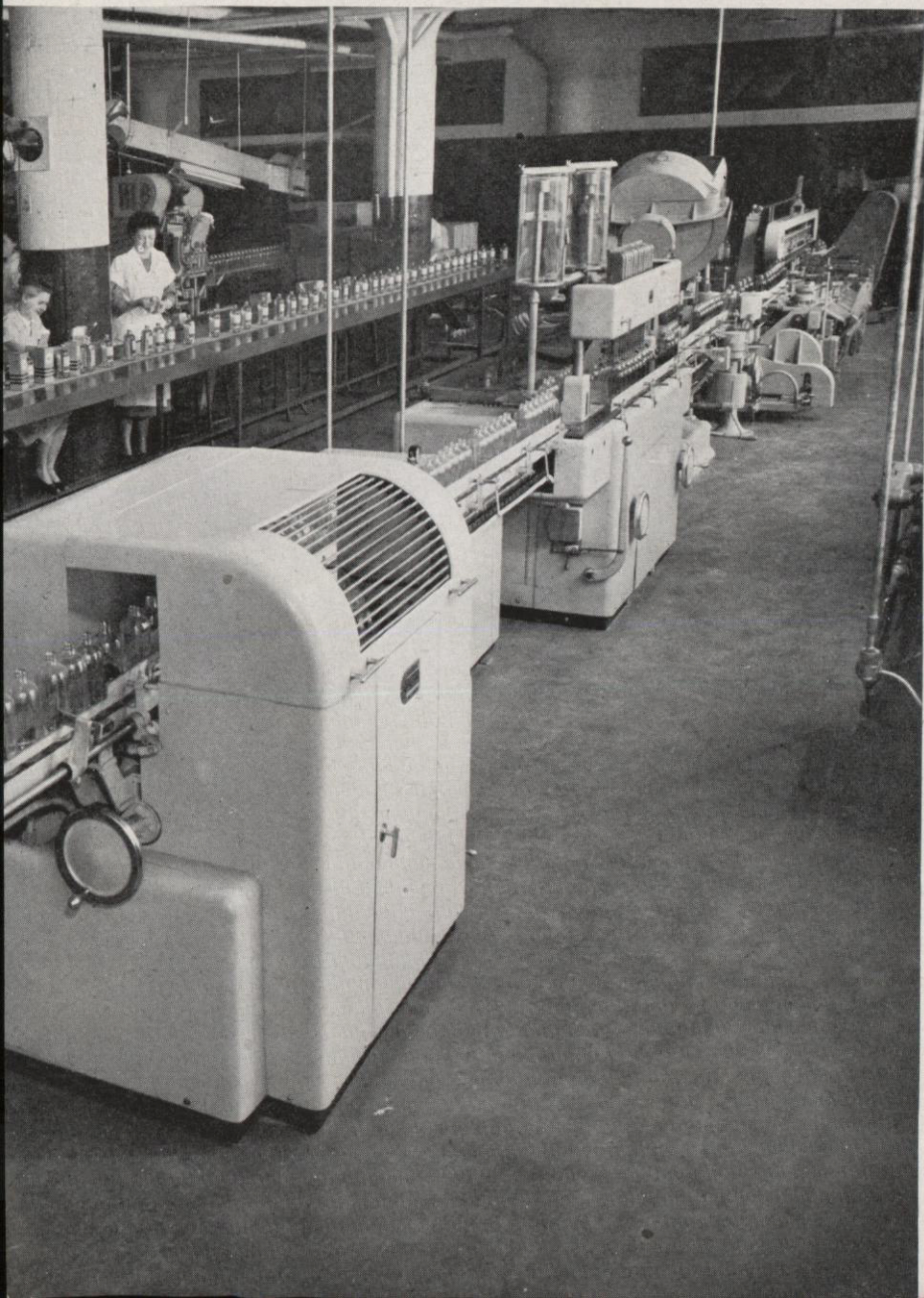


there's More than Meets the Eye

You know that it's not the package, but what's *in* the package that counts. Yet we wanted a prescription box that would be worthy of the top-quality ingredients it holds . . . with the dignity befitting a professionally prepared product. Our new prescription box does just that . . . it is *dressed with dignity*—to build confidence in its contents and in the Company whose name it bears.

For a Firm Foundation

**we're revitalizing from within for
added strength throughout the Company.**



Not only are Walgreen Stores being modernized. We're keeping in step in other ends of the business, too. For example, installation of this wholly automatic liquid filling machine in our large, modern drug laboratory has tripled our bottling capacity, bringing production up to 28,800 bottles daily.

A sound investment . . . because it increases output and cuts costs of a wide range of merchandise of our own manufacture—to meet the increasing requirements of our rapidly expanding Walgreen product business through Walgreen and Walgreen Agency Drug Stores.



Some of Our Growth is Unseen

Our Agency Division is enjoying sound growth, too, not only in number of new agencies opened, but also in the type of store, caliber of owner, and sales progress.

As you know, these Agency Stores are independently owned and operated, so it is especially pleasing to us to see them applying and benefiting from advanced merchandising methods and proved operating procedures.

“*Confidentially*

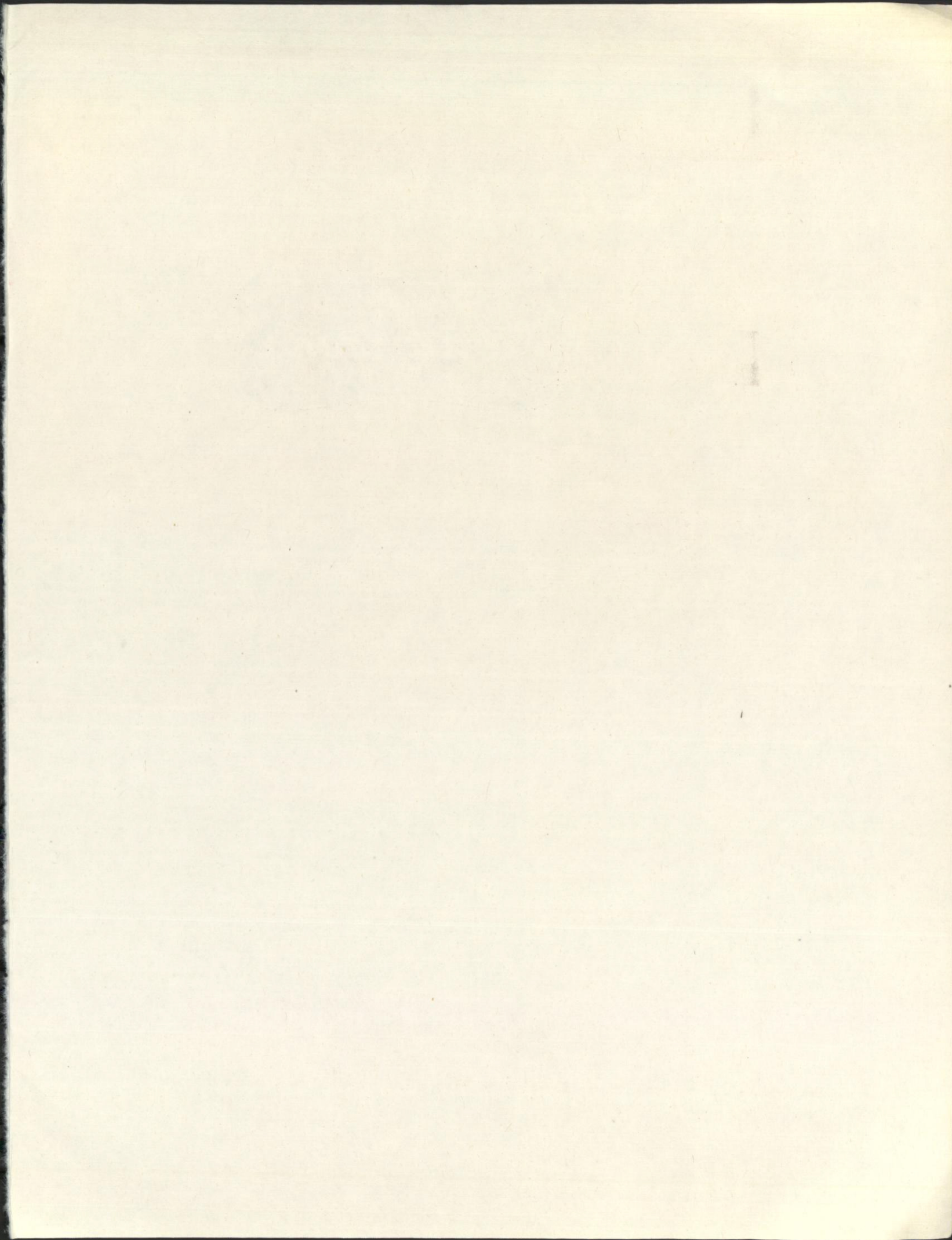
I'm an
IMPORTANT
Customer!”



Yes, that Very Important Person, whose mother patronizes our Baby Needs Department, is *Big Business*. In the past year, he and his “partners” have been responsible for a 23.5% increase in this department.

The Baby Department is typical, of course, of the greater departmentalization occurring in our business in general. Grouping related items to-

gether for customer convenience in shopping has boosted volume and helped create additional sales through association. You've no doubt noticed our fine departments in our newer stores—Home Needs, Stationery, Electrical Appliances, Cameras, Rubber Goods, and many other divisions—all of which are designed to take advantage of this newest merchandising trend.



WELCOME TO

Walgreen's